

UNITED STATES BANKRUPTCY COURT

DISTRICT OF PUERTO RICO

In Re: ) Docket No. 3:17-BK-3283 (LTS)  
)  
) Title III  
The Financial Oversight and )  
Management Board for )  
Puerto Rico, ) (Jointly Administered)  
)  
*as representative of* )  
)  
The Commonwealth of )  
Puerto Rico, *et al.*, ) November 7, 2018  
)  
Debtors. )

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In Re: ) Docket No. 3:17-BK-4780 (LTS)  
)  
) (Jointly Administered)  
The Financial Oversight and )  
Management Board for )  
Puerto Rico, )  
)  
*as representative of* )  
)  
Puerto Rico Electric )  
Power Authority, )  
)  
Debtor. )

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1  
2 In Re: ) Docket No. 3:17-BK-3567 (LTS)  
3 )  
4 ) (Jointly Administered)  
5 The Financial Oversight and )  
6 Management Board for )  
7 Puerto Rico, )  
8 )  
9 as representative of )  
10 )  
11 Puerto Rico Highways )  
12 and Transportation )  
13 Authority, )  
14 )  
15 Debtor. )

16  
17 OMNIBUS HEARING  
18  
19 BEFORE THE HONORABLE U.S. DISTRICT JUDGE LAURA TAYLOR SWAIN  
20  
21 UNITED STATES DISTRICT COURT JUDGE  
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23

24  
25 APPEARANCES:  
26  
27 For The Commonwealth  
28 of Puerto Rico, et al.: Mr. Martin Bienenstock, PHV  
29 Mr. Brian Rosen, PHV  
30 Appearing in New York  
31 Mr. Hermann Bauer, Esq.  
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33 For the U.S. Trustee  
34 Region 21: Ms. Monsita Lecaroz Arribas, AUST  
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36 For Official Committee  
37 of Unsecured Creditors: Mr. Luc Despins, PHV  
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42 For U.S. Bank National  
43 Association: Mr. Clark T. Whitmore, PHV  
44 Mr. John T. Duffey, PHV  
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9	Vegabajeña:	Mr. Carlos Quilichini Paz, Esq.
10	Fee Examiner:	Mr. Brady Williamson, PHV
		Ms. Katherine Stadler, PHV

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WITNESSES:

PAGE

None offered.

EXHIBITS:

None offered.

1 San Juan, Puerto Rico

2 November 7, 2018

3 At or about 9:45 AM

4 \* \* \*

5 THE COURT: Good morning and welcome to counsel,  
6 parties in interest, members of the public and the press here  
7 in San Juan, those observing here and in New York and the  
8 telephonic participants. As always, it is good to be here in  
9 San Juan.

10 A brief reminder. The rules regarding devices in the  
11 courtroom, not to be used for communication or recording,  
12 apply to these and all proceedings, both here and in New York.  
13 And I'm grateful for your continued compliance with those  
14 principles.

15 I would now call upon counsel for the Oversight Board  
16 to begin the status report. Mr. Bienenstock.

17 MR. BIENENSTOCK: Thank you. Good morning, Judge  
18 Swain. Martin Bienenstock of Proskauer Rose for the Oversight  
19 Board.

20 Your Honor's request for a status report identified a  
21 few issues, the first of which was a report about the  
22 evaluation of recent disclosures of McKinsey Security  
23 Holdings. Your Honor, my firm, Proskauer, represents McKinsey  
24 in various matters, so the Oversight Board asked another of  
25 its legal advisors, the Luskin & Stern firm, to look into

1 | this. And Michael Luskin, who is in New York, I can see him  
2 | now on the video, is prepared to respond to that portion of  
3 | the status report, if that's okay.

4 | THE COURT: Thank you. That's much appreciated.

5 | And so, Mr. Luskin, good morning.

6 | I'm not able to hear Mr. Luskin, so we'll need to  
7 | have the sound checked. Let's hold on for a minute.

8 | MR. LUSKIN: Can you hear me? I'm at the lectern  
9 | mic.

10 | THE COURT: We're hearing you now. Thank you. Good  
11 | morning.

12 | MR. LUSKIN: Okay. Good morning, Your Honor, and  
13 | thank you for allowing me to appear by video. This is my  
14 | first in person appearance in these proceedings and I'm happy  
15 | to be here.

16 | I am here, as Mr. Bienenstock referred, to confirm my  
17 | retention by the Board, my very recent retention by the Board  
18 | on this particular matter, which is to investigate the  
19 | consequences, the facts and implications of recent disclosures  
20 | concerning McKinsey and its work for the Board and its  
21 | holdings with Puerto Rico public debt.

22 | As I said, this is at the very beginning of my  
23 | investigation. It will culminate in a public report, not only  
24 | on the factual findings, but also the Board's own procedures  
25 | and policies concerning (inaudible) --

1 THE COURT: You'll need to speak directly into the  
2 microphone. You're starting to fade.

3 Did you say that your work will culminate in a public  
4 report?

5 MR. LUSKIN: Yes, I did, Your Honor.

6 The Board has made very clear that this is to be a  
7 transparent proceeding, that the report will be public. I  
8 expect it will take a couple of months at least, but it will  
9 culminate in a public report.

10 So I have no substance to report now. I really just  
11 wanted to introduce myself and to assure the Court and parties  
12 in interest that this matter is being taken, of course, very  
13 seriously by the Board, and we're doing what I think the Court  
14 and parties would expect us to be doing.

15 THE COURT: Thank you.

16 MR. LUSKIN: Unless the Court has any questions, I'm  
17 happy to yield the microphone back to Mr. Bienenstock to  
18 continue the status report.

19 THE COURT: I just -- you may have mentioned this,  
20 but do you have a particular time frame and prospect for the  
21 work?

22 MR. LUSKIN: I'm currently anticipating it will take  
23 a couple of months, a few months. I'd really like to get this  
24 done by year end, if at all possible.

25 THE COURT: Thank you, Mr. Luskin.

1 MR. LUSKIN: Thank you, Your Honor.

2 MR. BIENENSTOCK: Thank you, Your Honor.

3 In terms of the status report about the anticipated  
4 timetables for the proposal of adjustment, plans of adjustment  
5 of Title VI, Title VI Qualifying Modifications, I can report  
6 as follows: As the Court knows better than anyone else,  
7 yesterday the order was entered approving the Qualifying  
8 Modification for GDB, which was a major step forward, handles  
9 about four to five billion dollars of the 74 billion  
10 approximate amount of bond debt that we're trying to  
11 restructure.

12 The COFINA deal that resulted from the process Your  
13 Honor kicked off with the approval of a stipulation way back  
14 towards the beginning of the case led to a proposed plan of  
15 adjustment that has already been filed. And the proposed  
16 disclosure statement is to be heard, I believe, in less than  
17 the next two weeks. I think it's --

18 THE COURT: November 20th.

19 MR. BIENENSTOCK: Oh, November 20.

20 THE COURT: Yes.

21 MR. BIENENSTOCK: And if that is approved, and  
22 nothing goes wrong, including tinkering with the deal through  
23 legislation, et cetera, we hope to -- we hope that that will  
24 be confirmed in January of 2019.

25 The next major matter -- they're all major matters,



1 but the next major debt restructuring that I can report on is  
2 PREPA. PREPA, as Your Honor knows, has approximately eight to  
3 nine billion dollars of bond debt and several billion more of  
4 other types of financial debt and other debt.

5 The first two segments of my report on PREPA are  
6 based on information that we've received from PREPA's  
7 representatives. In terms of its cash position, as of  
8 November 2, operating cash balances were approximately 327  
9 million dollars. Because the Commonwealth debtor in  
10 possession loan facility requires the cash on hand above 300  
11 million dollars be paid to the Commonwealth on account of the  
12 loan, a payment of 27 million dollars was made on November 2,  
13 2018, leaving a debtor in possession loan balance of  
14 approximately 147 million dollars as of that date.

15 PREPA's operational cash receipts are currently  
16 sufficient to serve as expenditures for operations. During  
17 the month of October, average weekly cash collections from  
18 customers were approximately 65 million dollars. PREPA,  
19 therefore, should not require additional financing for  
20 operations in the near term. I want to emphasize that's  
21 operations.

22 As the Court knows, because of the hurricane, there  
23 was lots of repair and replacement to do, and some of it -- of  
24 course we get significant amounts from the Federal Government,  
25 but that doesn't cover everything.

1 THE COURT: Have the Federal Government dollars  
2 actually been coming in? I understand that there are some  
3 respects in which federal money has been approved but not  
4 actually disbursed.

5 MR. BIENENSTOCK: I'm not aware of that money coming  
6 in, but the Federal Government has obviously expended major  
7 funds for repair and replacement, which are funds that PREPA  
8 would otherwise have to expend. So in that sense, we've been  
9 the beneficiary of very substantial federal funds for the last  
10 year.

11 In terms of PREPA operations, PREPA is moving forward  
12 with reviewing responses to several requests for proposals for  
13 generation -- for generation for different parts of the  
14 island.

15 As Your Honor knows, the -- when we speak about the  
16 restructuring of PREPA, unlike the restructuring of some of  
17 the other entities, we're really talking about two  
18 restructurings proceeding simultaneously. One is for the  
19 debt. The other is to transform the method of generation from  
20 fossil fuels to other fuels that are both less expensive and  
21 cleaner. And it's somewhat tricky to coordinate the two, but  
22 that's what's happening.

23 As a practical matter, we believe investors will want  
24 to know what amount of debt they need to prepare to carry  
25 going forward, or that will be carried somehow going forward.

1 And we are anxious to deal with the debt in any event, so both  
2 processes are proceeding simultaneously.

3 PREPA continues to run the generation fleet as  
4 economically as possible, while keeping in mind the  
5 overarching goal of maintaining grid resiliency. PREPA is  
6 actively pursuing different alternatives for generation  
7 resources or a conversion to cleaner burning fuels, such as  
8 liquid natural gas.

9 Power has been restored to over 99 percent of the  
10 customers on the island. Current average weekly generation  
11 delivered to the power grid is approximately 93 percent of  
12 2016 levels. Approximately 96 percent of the island's 342  
13 substations, and 96 percent of the 56 transmission centers are  
14 energized. Approximately 88 percent of 103 large transmission  
15 lines are fully in service.

16 In respect of the debt restructuring aspect of PREPA,  
17 Your Honor, PREPA, the Oversight Board and AAFAF entered into  
18 a preliminary Restructuring Support Agreement, RSA, with an Ad  
19 Hoc Group of uninsured bondholders in July 2018, which has  
20 been extended several times and remains in place to allow the  
21 parties to complete negotiations on a more comprehensive RSA,  
22 for which we expect to seek Court approval when it's done.

23 The consenting holders hold a significant amount of  
24 the outstanding approximate 8.8 billion of PREPA bond debt.  
25 We will be meeting this week, and in fact, I believe it's in a

1 few hours in New York, with the Ad Hoc Group and  
2 significantly, one of the monoline insurers that filed the  
3 receiver motion to continue working through certain provisions  
4 of a definitive agreement.

5 So we're trying to expand the group from the  
6 uninsured bondholders that we did the initial RSA with to  
7 include the monolines that obviously they are the insurers of  
8 the insured group of bonds, and they have significant  
9 exposures and therefore, are significant to any debt  
10 restructuring.

11 We have also reviewed our current proposal with other  
12 monoline insurers that are party to the receiver motion. So  
13 there's communication and progress with both the insured and  
14 uninsured bonds.

15 It's hard to predict timing, but we certainly hope,  
16 and we know the bondholders hope, that we're talking about  
17 something that will culminate in at least a request for this  
18 Court's approval of the RSA in a matter of months when we  
19 might have a final plan of adjustment. We want it as soon as  
20 possible, but it's really hard to -- with any reliability, to  
21 give Your Honor a sense of when that might be possible.

22 As far as the transformation process, the process to  
23 transform the electric sector is proceeding on schedule in  
24 accordance with the Fiscal Plan.

25 The following is a summary of the recent and updated

1 | milestones from the Fiscal Plan. The Public-Private  
2 | Partnership, P3 Authority completed a market sounding process  
3 | in mid June, which confirmed significant industry interest in  
4 | a concession transaction for the private operation of the  
5 | transmission and distribution system.

6 |         The P3 Authority posted a Request for Qualifications,  
7 | an RFQ, on October 31 asking interested parties to submit  
8 | their qualifications for operating and improving the  
9 | transmission and distribution system, with responses due on  
10 | December 5, 2018. The RFQ has been filed under an informative  
11 | motion with this Court.

12 |         The P3 Authority will then issue a request for  
13 | proposal seeking bids from the qualified candidates. And  
14 | supporting legislation and the integrated resource plan are  
15 | also in process and are expected to be completed in January.

16 |         So, Your Honor, we're -- as the Court can tell,  
17 | simultaneous progress is being made, both on the physical  
18 | transformation and on the debt restructuring. And it is so  
19 | critical to reenergize growth on the island -- the cost of  
20 | power is a fundamental factor in future growth -- that it's in  
21 | everyone's interest, the government's, the people's and the  
22 | creditors' to get this done as quickly as possible, and that's  
23 | what we're trying to do.

24 |         THE COURT: And the qualifications and proposals that  
25 | are being reviewed in this current P3 related process, that's

1 for an entity that will move and make more concrete the  
2 visioning for the transformation? Is that the phase or --

3 MR. BIENENSTOCK: Well, they will propose exactly how  
4 they would like to generate power, what type of fuel they will  
5 use, and the economic terms on which they're willing to do  
6 that and how much they're willing to pay for the right to do  
7 that.

8 THE COURT: Thank you.

9 MR. BIENENSTOCK: Your Honor, the other major debt  
10 restructurings, some of which can be handled independently and  
11 some which have interrelationships, are basically the  
12 Commonwealth, HTA, PRASA, PBA, UPR and others. And some of  
13 these, most likely UPR, but not definitely, are more prone to  
14 a Title VI than a Title III.

15 What I can tell you about these is not nearly as  
16 specific as what I could advise the Court about PREPA, but I  
17 can say that in every single one of these situations, there  
18 have been and are ongoing negotiations with either all or a  
19 subset of the creditors of each entity.

20 As Your Honor knows, to provide an example of the  
21 interconnectedness, there's a dispute between creditors of the  
22 Commonwealth on the one hand and creditors of HTA on the other  
23 as to whether the so-called clawback revenues can and should  
24 be clawed back from HTA to the Commonwealth and on what  
25 conditions.

1           That might create the need to propose or confirm both  
2 plans at once for HTA and the Commonwealth or not. It's not  
3 necessarily critical. But negotiations are ongoing with  
4 keeping those things in mind.

5           In some cases, things like toll hikes or other  
6 increased rates have to be part of the discussion, and the  
7 government is involved in that. And I can, from personal  
8 knowledge, say that every day is spent working on these  
9 things. But again, to give the Court a timetable would be  
10 really more guesswork than probabilistic.

11           I will say that if at all possible, we want to pull  
12 together restructurings that could be heard in some form or  
13 final form by the Court by this summer. That may or may not  
14 be possible with all of them, but certainly with some of them.

15           THE COURT: That is good news.

16           MR. BIENENSTOCK: Thank you, Your Honor.

17           THE COURT: Thank you, Mr. Bienenstock.

18           MR. BIENENSTOCK: The next item on the agenda are the  
19 Fee Examiner report and applications, so I'll turn things over  
20 to Mr. Williamson.

21           THE COURT: Thank you, Mr. Bienenstock.

22           MR. BIENENSTOCK: Mr. Williamson's colleague, Your  
23 Honor.

24           THE COURT: Good morning, Ms. Stadler.

25           MS. STADLER: Good morning, Judge. Katherine Stadler

1 of Godfrey & Kahn on behalf of Brady Williamson, the Fee  
2 Examiner, who is also here in person.

3 Judge, we filed our report on the third interim fee  
4 period applications last week recommending 28 applications for  
5 the Court's approval. Since the filing of that report, one  
6 additional application, that of Bennazar, Garcia & Milian, has  
7 been resolved. That application is on your agenda at item 11  
8 on the deferred list.

9 So we will be moving the Bennazar application to the  
10 list of resolved applications that was attached to our report  
11 and submitting a Proposed Order, with Your Honor's permission,  
12 that will include all of the originally recommended  
13 applications, plus that one additional. And we will do that  
14 as soon as we have a ruling and instructions from the Court on  
15 our recommendations.

16 As you know, our report in this period addressed the  
17 McKinsey Consulting applications, all three of the interim  
18 pending fee period applications. So we successfully worked  
19 through a significant backlog there.

20 THE COURT: Yes.

21 MS. STADLER: We tried to carry out Your Honor's  
22 instructions in previous hearings and discussions to come up  
23 with a methodology for evaluating the reasonableness of the  
24 McKinsey fees, notwithstanding the nature of their  
25 timekeeping or nontimekeeping, as the case may be.



1           As you know, they are retained on a flat fee that is  
2   based on a GSA contract price that the government has  
3   negotiated. While the Oversight Board is not technically an  
4   entitled user of that GSA price schedule, that pricing has  
5   been used as the foundation of the pricing that McKinsey uses.  
6   And we've gone through that for you in our report and I'm  
7   happy to answer any questions you have about that.

8           The other suggestion that Your Honor made that we  
9   took to heart was to try, as we might, to come up with some  
10   estimation of time being spent and number of timekeepers. And  
11   so the efforts described in the report resulted in the Exhibit  
12   B to the report, which is very crude, and I almost feel the  
13   need to apologize to McKinsey because I'm quite sure it  
14   understates the amount of work and person hours that are put  
15   into these projects on a weekly basis.

16           But notwithstanding that, even using this very  
17   conservative estimate of hours expended, we've calculated an  
18   average blended hourly rate, which is generally consistent  
19   with other consultants working on these cases and in the  
20   market in general.

21           So with those observations, the Fee Examiner is  
22   comfortable now recommending to the Court approval of the  
23   McKinsey applications as they are filed based on the reasoning  
24   laid out in our report. And I'm happy to answer any questions  
25   you may have on that.

1 THE COURT: I would just comment that I commend and  
2 very much appreciate the fact that you took my request and  
3 guidance to heart, and the way in which you have laid out in  
4 the report the nature of the investigations and the benchmarks  
5 that you have used to make the evaluation that led you to  
6 support approval of the fees, and the insight that you have  
7 given us into the extent and nature of the work that is being  
8 performed for those fees. So thank you.

9 MS. STADLER: You're welcome, Your Honor.

10 If Your Honor has no other questions, I think a  
11 couple of the informative motions indicated that some speakers  
12 want to address fee matters. So the Fee Examiner has asked  
13 that those people speak first, and then he has a few wrap-up  
14 comments he would like to make.

15 THE COURT: I do have a couple of questions --

16 MS. STADLER: Okay.

17 THE COURT: -- before that.

18 MS. STADLER: Yes.

19 THE COURT: The report indicated some discomfort in  
20 ongoing discussions with fee increases --

21 MS. STADLER: Yes.

22 THE COURT: -- by service providers.

23 MS. STADLER: Yes.

24 THE COURT: Are those across the board, firm hikes in  
25 rates? Are those seniority, promotion related? Can you give

1 me a little bit more color as to what those are?

2 MS. STADLER: Yes, they are both and they are not  
3 uniform. As you know, all of the professionals have different  
4 engagement agreements with their respective clients, and some  
5 of those address issues.

6 For example, the Oversight Board counsel has a flat  
7 hourly rate which does not provide for rate increases at all.  
8 Others have contracts that explicitly allow them, and most  
9 have contracts that don't address whether they are appropriate  
10 or not, other than to say we will charge, you know, our  
11 pricing based on the following discount model. But the issue  
12 of rate increases and adjustments isn't explicitly addressed  
13 in most of the engagement agreements of the professionals that  
14 we are reviewing.

15 The increases that we have seen encompasses both of  
16 those categories that Your Honor just described. Seniority  
17 increases, which apply almost exclusively to associates in  
18 their first ten years of practice, those tend to be although  
19 aren't uniformly imposed in the fall on the employment  
20 anniversaries of many associates. And then there are also  
21 market adjustments that many firms implement, tending to be in  
22 connection with their fiscal year ends, many of which, but not  
23 all of which are also at the end of the calendar year.

24 So with this fee period falling fully in 2018 for the  
25 first time, we've really seen the impact of the rate increases

1 that might have happened last fall and in January for many  
2 firms. And I think as the report previews for you, the Fee  
3 Examiner is concerned not so much about the impact so far,  
4 although that is calculated for you and is not insignificant,  
5 but the potential for exponential --

6 THE COURT: Yes.

7 MS. STADLER: -- growth and the impact of those rate  
8 increases over time, given what we know about the expected  
9 timeline of the debt restructuring processes that  
10 Mr. Bienenstock just addressed.

11 And so Mr. Williamson, and he'll address this  
12 directly I'm sure, but he feels strongly that much as we did  
13 with the presumptive standards that we talked about last time,  
14 that he would like to propose and put into place presumptive  
15 caps on rate increases so that everyone's expectations are  
16 clear and so that hopefully we can minimize contested issues  
17 over rate increases.

18 At the moment, many of the applications that are on  
19 the deferred list are on the deferred list because they have  
20 that issue. And we're working very hard with the  
21 professionals, and the professionals are working very hard  
22 with us to work through those issues and try to bring those to  
23 a consensual resolution for the fees that have already been  
24 charged.

25 But going forward, Mr. Williamson feels very strongly

1 that in a case like this, there are some limits on rate  
2 increases that need to be imposed, and that without explicitly  
3 stating them, it creates, you know, a disincentive for people  
4 to exercise discipline in the imposition of those rate  
5 increases.

6 So much as we have in other areas, he intends to  
7 articulate either through a motion or objection, should that  
8 be necessary, hopefully through another advisory motion or  
9 motion for presumptive standards, we would bring back in  
10 December a proposal for a prospective treatment of rate  
11 increases that would cover both categories, both the market  
12 annual adjustments and the seniority adjustments, which  
13 probably will require slightly different treatment to each of  
14 them.

15 THE COURT: Well, I am glad to hear that  
16 Mr. Williamson is engaging these issues directly, and I will  
17 look forward to the results of the current negotiated work and  
18 also to his insight and advice as to appropriate structural  
19 measures to put in place, because we all know why we're here.

20 We all know how big the job is and how important it  
21 is for resources to be maximized for efficient, economical and  
22 productive work in creating a platform on which Puerto Rico  
23 can go forward with resources that can be used for the  
24 island's growth.

25 So thank you, and thanks to all of the professionals

1 | who are cooperating in this process.

2 | MS. STADLER: Thank you, Judge.

3 | THE COURT: Thank you.

4 | And so who would like to be heard next on fee issues?

5 | I have the names of a couple of people who are in New York.

6 | Is there anyone in this courtroom? All right.

7 | We'll turn to -- I understand that -- was there  
8 | someone in New York who wished to be heard on the fee-related  
9 | issues? No. All right.

10 | Then, Mr. Williamson. Thank you. Good morning.

11 | MR. WILLIAMSON: Thank you. Good morning, Your  
12 | Honor. Brady Williamson, Godfrey & Kahn.

13 | Let me start with a generic but quite important  
14 | observation, which is this is the third report we've given the  
15 | Court. And I think at each juncture, we have commented on the  
16 | cooperative, collegial approach for which much of the credit  
17 | goes to the professionals themselves.

18 | Now, I know the Court expects that. The Court  
19 | expects that out of the professionals. The Court expects that  
20 | of us. But it's noteworthy because as we're now finishing the  
21 | review of the third period, the issues, quite frankly, are  
22 | getting more difficult, which means the negotiations take a  
23 | little longer and the negotiations themselves get more  
24 | difficult.

25 | But with respect to the communication, the collegial

1 nature of the discussions, I think the Court can be satisfied  
2 that if there are objections, if there are problems, it will  
3 not be for want of trying to avoid them.

4 In about two weeks, Your Honor, the professionals  
5 will file their fourth set of fee applications, which then  
6 gets us into the second year of the review process. And it's  
7 important, I think, to note that we view our challenges as  
8 both retrospective, that is, to look at the fee applications,  
9 which are always two or three months behind, or the process by  
10 definition is. But as the Court could tell from Ms. Stadler's  
11 remarks and the report, we're also trying, with the  
12 cooperation of the professionals, to be prospective, so that  
13 we're not constantly saying, oh, you should have done this,  
14 you should have done that.

15 And I think as Ms. Stadler said, the December  
16 hearing, I think, will feature at least two points that we'll  
17 either bring as a motion or, if necessary, in the form of an  
18 objection. But again, our goal is not just hindsight, but  
19 hopefully foresight.

20 And as the Court said, while massive resources are  
21 needed here in the Commonwealth, they also need to be massive  
22 resources applied efficiently. Thank you.

23 THE COURT: Thank you.

24 Mr. Bienenstock.

25 MR. BIENENSTOCK: Your Honor, thank you. I just

1 wanted to add one new item that pertains to the discussion  
2 that just occurred. It has nothing to do with what  
3 Mr. Williamson wants to do or to contradict anything that's  
4 been said, but it's simply new information that's going to  
5 likely lead to changes that the Court might as well know about  
6 now rather than be surprised later.

7           There is legislation that we understand has a  
8 likelihood to be enacted in Puerto Rico that will for the  
9 first time single out advisors in these cases and tax them,  
10 creating -- starting with a withholding tax of 29 percent for  
11 time spent working on the case outside of Puerto Rico. If  
12 that happens, I know from my own firm and I suspect for other  
13 similar firms both in and outside the legal industry, no firm  
14 can afford to provide the services for 29 percent less than  
15 it's currently providing.

16           So there will probably be adjustments to  
17 professionals' fee arrangements that will obviously be in the  
18 applications that the Fee Examiner will be looking at, but  
19 they will be unavoidable if this legislation is enacted.

20           THE COURT: Are there hearings being conducted at  
21 which publicly and formally professionals who will be affected  
22 will be able to make this point to the legislators?

23           MR. BIENENSTOCK: To my knowledge, no. We're just  
24 being told that this is what's happening. And the sad part  
25 about it is it likely will not result in any net benefit to



1 the revenues of the government, because the tax will be offset  
2 by increased rates to cover the tax.

3 Just to give Your Honor a sense of the perspective,  
4 at the outset of this, I think we were all aware that there  
5 was something like a 1.5 percent tax on time spent in Puerto  
6 Rico. And we all knew that when we made our fee proposals.  
7 But there was never anything like a 29 percent tax on time  
8 spent outside Puerto Rico, which is the bulk of the time for  
9 most of the professionals.

10 THE COURT: Yes. And when you say withholding --  
11 although you say withholding, I think I'm hearing you that  
12 this isn't just a timing of money issue. This is a  
13 withholding that is understood to be commensurate with  
14 intended actual tax collection that under current federal and  
15 out-of-state tax principles would not offset other taxes, but  
16 would be a net increase, or a net decrease in the revenues?

17 MR. BIENENSTOCK: Well, Your Honor, that's exactly  
18 what we're studying before we, and I think the other advisors  
19 and professionals, request any type of amendments. If it's a  
20 dollar-for-dollar credit against other taxes, it may just be a  
21 timing issue and have very little impact. But if it's not  
22 just a credit, and I don't think it is, then it's basically a  
23 reduction, a very material reduction of what everyone's -- but  
24 we will know exactly what it is before we -- at least in my  
25 firm's case, but I'm sure in everyone's case, before we

1 propose or suggest any amendments to any fee arrangements.

2 THE COURT: And are you able to -- are you working  
3 with AAFAF's counsel to be able to communicate to government  
4 interests the complexities of the concerns here?

5 MR. BIENENSTOCK: Your Honor, yesterday I was  
6 surprised when I raised it that I was giving them information.

7 THE COURT: Better late than never.

8 MR. BIENENSTOCK: Which is rare. Usually they know  
9 before I know. And so yes, the answer to Your Honor is yes,  
10 we're discussing it with AAFAF.

11 THE COURT: Thank you.

12 MR. BIENENSTOCK: Yes.

13 THE COURT: That is a matter of great concern if at  
14 the end of the day, there are transaction costs and very real  
15 out-of-pocket costs in terms of firms seeking to be grossed up  
16 for the effect of the tax.

17 So I know that professionals have a deep and personal  
18 interest in this, and I hope that there will be effective  
19 discussion so that at the end of the day, whatever happens is  
20 truly for the benefit of the Commonwealth and doesn't impede  
21 these proceedings.

22 Now, I had been given notes that a couple of people  
23 might have wanted to speak in relation to the COFINA status  
24 from New York, and so I didn't call for that in connection  
25 with the status reports, and I apologize for any oversight in

1 that regard.

2 So is there anyone in New York who -- here's someone  
3 coming to the podium now. Thank you.

4 MR. ROSEN: Thank you, Your Honor. This is Brian  
5 Rosen of Proskauer Rose. I just wanted to supplement what  
6 Mr. Bienenstock said.

7 Your Honor, things are moving very well with respect  
8 to the COFINA Plan of Adjustment. And he is correct and you  
9 are correct when you were referring to the dates for the  
10 upcoming hearings.

11 The other item, though, I wanted to bring to the  
12 Court's attention was that on October 18, the Unsecured  
13 Creditors' Committee slash Commonwealth agent had filed a  
14 motion for a Scheduling Order, and it was in connection with  
15 what was referred to as a motion to enforce that they were  
16 planning to file by a date certain. After that was filed,  
17 Your Honor, there was a period of negotiation between the  
18 Oversight Board, the Unsecured Committee slash agent, and also  
19 the COFINA agent.

20 And we are happy to report that on Monday, under the  
21 cover of an informative motion filed by the Unsecured  
22 Creditors' Committee, was attached a stipulation which  
23 compromised and settled the motion to enforce, which actually  
24 was not even filed.

25 It provides for that matter to be essentially held in

1 abeyance pending events that might or might not occur between  
2 now and the hearing on January 16 in connection with the  
3 approval of a 9019 motion and the confirmation of the COFINA  
4 Plan of Adjustment.

5 Specifically, Your Honor, there is a provision in  
6 there with respect to a supplemental certified fiscal plan  
7 being filed for the Commonwealth. And if, in fact, that  
8 doesn't occur, then the motion to enforce will not be filed.  
9 And also, the Unsecured Committee slash Commonwealth agent  
10 will not otherwise object to the confirmation of the plan or  
11 the 9019 motion for approval in the Commonwealth case, Your  
12 Honor.

13 I don't know if the Court had the opportunity to  
14 review that informative motion or the stipulation at this  
15 point, but I wanted to bring it to the Court's attention.

16 THE COURT: I am in the process of reviewing it.  
17 It's something like a 27-page stipulation with many details.  
18 So we are in the process of reviewing it.

19 And I take it the request, although it was filed  
20 under an informative motion as opposed to a notice of  
21 presentment or anything, the request and expectation is that  
22 the Court enter it sooner rather than later since one of the  
23 provisions is that if it's not entered soon, a November 16  
24 deadline comes back?

25 MR. ROSEN: That is correct, Your Honor. The

1 stipulation provided for a so Ordered line for the Court. But  
2 yes, it would otherwise require the Creditors' Committee slash  
3 agent to file some pleadings by next week.

4 THE COURT: All right. So as I say, we are in the  
5 process of reviewing it to ensure that I understand what I am  
6 being asked to sign. And if anybody has any major,  
7 substantive issues with it, they'd better let -- file an  
8 informative motion and let us all know sooner rather than  
9 later, because it is my goal to get that in place, as long as  
10 I don't have problems with it, sooner rather than later.

11 MR. ROSEN: Thank you very much, Your Honor.

12 THE COURT: Thank you.

13 There was someone from Willkie Farr in New York? Did  
14 anyone else want to be heard from New York?

15 MR. ROSEN: Your Honor, it's Brian Rosen again.  
16 Mr. Forman is here, but he said in as much as there's nothing  
17 to address, he has nothing further to say.

18 THE COURT: Thank you very much.

19 And I neglected before Ms. Stadler and Mr. Williamson  
20 needed to leave to conclude the Fee Examiner portion by saying  
21 that the Court approves the Fee Examiner's recommended actions  
22 on the fee applications that are listed in the operative  
23 schedule to the Fee Examiner's report, with the addition of  
24 the formerly deferred item that Ms. Stadler referred to that  
25 had been number 11 in the list of deferred items.

1           And the Court expects that the Fee Examiner will  
2 promptly be submitting a Proposed Order, and the Court does  
3 intend to enter that Order.

4           And so the next item on the Agenda is the Debtors'  
5 Motion to Establish the Omnibus Claims Objection Procedures,  
6 which is ECF entry number 4052 in case 3283.

7           MR. ROSEN: Your Honor, it's Brian Rosen again from  
8 Proskauer Rose.

9           Your Honor, we filed this motion, excuse me, and it  
10 entailed or it provided a connection within the notice period  
11 of October 23. We did not receive any objections to the  
12 relief that was being requested in the motion.

13           Specifically, Your Honor, what we had asked to do in  
14 there, in the proposed objection procedures, was really to  
15 comply with Rule -- Bankruptcy Rule 3007, and essentially to  
16 allow us to file Omnibus objections in amounts greater than  
17 100.

18           Specifically, as the Court recalls, when I reported  
19 previously, there are approximately 165,000 to 170,000 claims  
20 that were filed in this case. And as an example of this, in  
21 connection with COFINA, there were between 3,500 and 4,000  
22 claims filed.

23           Most of those, Your Honor, are multiples of the same  
24 bond type of claims and really didn't need to be filed. When  
25 we distilled down what the number of claims actually might be

1 in COFINA, they number approximately ten.

2 So, Your Honor, it's obviously important for us to  
3 try and remove as many of these claims as expeditiously as  
4 possible, specifically in connection with solicitation for the  
5 Plan of Adjustment that hopefully will begin by the end of  
6 November.

7 So we are envisioning filing multiple Omnibus  
8 objections, and we were looking to increase the number of  
9 claims which might be included in an Omnibus objection from  
10 the 100 to approximately 500.

11 As I said, Your Honor, these are multiples of bond  
12 claims, and if we have the claim that's already been allowed,  
13 or we will allow with respect to the Trustee, the Bank of New  
14 York Mellon, there is no reason for the multiple claims to be  
15 on the register.

16 Likewise, Your Honor, there are other claims in  
17 COFINA that have nothing to do with COFINA. And to the extent  
18 that they are one-off claims and cannot be handled in a common  
19 type of form of objection, we will file individual objections  
20 to those claims. And we envision there will be approximately  
21 50 of those, Your Honor, all of which, though, are for no  
22 liability save that they really relate to a different entity  
23 or not any of the Title III debtors at all.

24 But specifically, Your Honor, in connection with this  
25 Omnibus Procedures Motion, we did, upon consultation with the

1 Creditors' Committee, file an Amended Notice of Revised  
2 Procedures. Your Honor, we did that on October 31st. And we  
3 included with that a blackline copy of the Proposed Order, as  
4 well as slight modifications to the objection procedures  
5 themselves.

6 Specifically, Your Honor, we removed the possibility  
7 that we could oppose any of these claims on a substantive  
8 basis. Rather, they were all nonsubstantive in nature.

9 We wanted to make sure that the notices were both in  
10 Spanish and in English. And we provided for the notice of  
11 filing of reports with the Court when we do settle some of  
12 these claims. This would have been quite possibly the only  
13 objection, had it been interposed, but as I indicated, Your  
14 Honor, we were able to resolve this with the Creditors'  
15 Committee, and that's why we filed the Amended Notice and the  
16 Proposed Order.

17 Hopefully, Your Honor, that might allay any concerns  
18 the Court might have with respect to this, and we ask the  
19 Court to enter the revised Order that we filed under the  
20 Amended Notice.

21 THE COURT: The clarifications in the revised Order  
22 are quite helpful. I just have one question and one request,  
23 I'll call it.

24 So the question is just to confirm that you  
25 anticipate noticing up these large Omnibus objections in



1 connection with scheduled Omnibus hearing dates; is that  
2 correct?

3 MR. ROSEN: Yes, Your Honor.

4 THE COURT: All right. And then the request is that  
5 we move the reply deadline from two business days before the  
6 Omnibus hearing date, which is a travel date for many of us,  
7 to seven calendar days before the Omnibus hearing date. Can  
8 you live with that?

9 MR. ROSEN: Absolutely, Your Honor.

10 THE COURT: Thank you.

11 MR. ROSEN: We'll make the modifications and if you  
12 don't mind, we'll then submit a proposed final Order for the  
13 Court's entry.

14 THE COURT: I appreciate that very much. Thank you,  
15 Mr. Rosen.

16 And Mr. Despins is coming to the podium here.

17 MR. DESPINS: Good morning, Your Honor. Luc Despins  
18 with Paul Hastings on behalf of the Committee.

19 We're happy that we're able to resolve the issues  
20 regarding this procedure. I just want to mention because it's  
21 important that these are, I would say, the easy claims to deal  
22 with. The main event is really dealing with all the other  
23 claims.

24 And we are working with the Oversight Board on coming  
25 to court with an ADR procedure that would be expedited, that

1 would be streamlined, because as the creditors on my committee  
2 will often say, even a plan of adjustment, it would be adopted  
3 tomorrow, confirmed tomorrow that would say we get X cents on  
4 the dollar, unless these cents are actually given because the  
5 claims have been resolved is meaningless, and meaningless also  
6 for the economy of Puerto Rico.

7           They need to get those dollars, to spend those  
8 dollars. And so, therefore, that process is complex and it's  
9 very important. We're working with the Oversight Board on  
10 that, hopefully coming back to the Court soon on that.

11           Thank you, Your Honor.

12           THE COURT: Thank you. Do you have a sense of a time  
13 frame? Yes, I did notice when this was filed that it was  
14 the --

15           MR. DESPINS: Easy claims.

16           THE COURT: The easy ones, yes. And so I've been  
17 waiting to hear what structure will be proposed for the ones  
18 that are more complicated.

19           MR. DESPINS: Well --

20           MR. ROSEN: Your Honor, if I could perhaps address  
21 that?

22           THE COURT: Yes.

23           MR. ROSEN: Yes. We have been working with the  
24 Unsecured Committee with respect to global procedures, and  
25 we've been working with Ms. Uhland, who has been sitting there

1 on behalf of AAFAF, to come up with a concept that works for  
2 everyone.

3 Obviously we had hoped to do this in the context of a  
4 plan of adjustment, but as Mr. Bienenstock indicated, that is  
5 not going to be as timely as we hoped it might be. So we are  
6 hoping to finalize these procedures. If we can get it done  
7 and filed before year end, that is our goal, Your Honor. We  
8 are actively engaged in that dialogue.

9 It will set up a process that will extremely  
10 streamline not only the time frame in connection with hearing  
11 these matters and bringing them on among the parties, but also  
12 the amount of information that might otherwise be required for  
13 the person who will be hearing and determining the allowance  
14 of these claims so that it would be relatively small paperwork  
15 and something easy for the Court or such other person to  
16 ascertain.

17 THE COURT: Thank you. And so we might expect to  
18 have something in connection with the January Omni or the Omni  
19 after that?

20 MR. ROSEN: I would hope it would be considered in  
21 connection with January, Your Honor.

22 THE COURT: Thank you very much.

23 MR. ROSEN: Thank you, Your Honor.

24 THE COURT: All right. Is there anything else we  
25 need to address before we move to the contested matters? All

1 right, then.

2 The next agenda item is Pan American Grain Company's  
3 Motion for Relief from Stay, which is ECF number 4004 in case  
4 3283.

5 Good morning, Ms. Figueroa y Morgade.

6 MS. FIGUEROA Y MORGADE: Yes, Your Honor. Good  
7 morning. My name is Maria Mercedes Figueroa y Morgade on  
8 behalf of Pan American Grain Company, Inc.

9 Pan American is the movant in the Motion for Relief  
10 from Stay to request an Order to execute set-off, as the Court  
11 mentioned, at ECF number 4004. In order to efficiently use  
12 this time before the Court, Pan American would like to focus  
13 today's hearing on the pivotal issue in this matter.

14 Pan American filed the request for set-off in order  
15 to use the value of its prepetition bonds due prior to the  
16 filing of the Title III case and set-off against a prepetition  
17 power service liability owed by Pan American to PREPA.

18 And the pivotal issue here stems from the oppositions  
19 filed by the PREPA Trustee, U.S. Bank National Association and  
20 PREPA itself. Both of these objectors were -- both of these  
21 objectors stem their arguments on the no-action clause  
22 included in the Trust Agreement.

23 The objections are well-taken and well-founded, but  
24 the Court can use, and Pan American moves the Court to use its  
25 equitable powers and just eliminate Pan American from that

1 no-action clause.

2 THE COURT: How is it that the Court could, by use of  
3 an equitable power, essentially rewrite a contract and grant a  
4 right to a party that does not exist under a contract that  
5 binds not only that party but many other similarly situated  
6 bondholders, binds the Trustee, and obviously to which the  
7 bond issuer is also a party?

8 MS. FIGUEROA Y MORGADE: Well, Your Honor, Pan  
9 American is not requesting that under the Court's equitable  
10 powers, it rewrite the contract or rewrite the no-action  
11 clause. What Pan American is requesting is that under the  
12 factual scenario where there are eight billion dollars in debt  
13 by PREPA to bondholders, this one million dollar set-off  
14 transaction that is allowed under the Bankruptcy Code and is  
15 allowed under PROMESA, because it is incorporated in PROMESA's  
16 general provisions, that would allow the Court to provide Pan  
17 American the opportunity to execute the set-off.

18 If the Court finds -- that is why it's the pivotal  
19 issue, is the no-action clause. If the Court finds that the  
20 no-action clause is a broad application and will be applied  
21 also to Pan American's right to set-off under Section 553 of  
22 the Bankruptcy Code, then the matter is over.

23 If the Court finds that there are factual grounds  
24 regarding the amounts and the harmless execution of the  
25 set-off, which will really not effect other bondholders, will

1 not effect PREPA -- PREPA will receive cash upon the execution  
2 of the set-off, and it will not effect the work of the  
3 indentured Trustee.

4 THE COURT: Thank you. So I am -- before you sit  
5 down, I'm assuming that the facts on which you would want me  
6 to focus in such an analysis basically boil down to the  
7 question of whether this particular proposed settlement would  
8 be de minimis financially in the broad scheme of things.

9 I would ask whether there's any kind of difficulty  
10 with that approach when you think -- when I have to consider  
11 the possibility that there are other PREPA bondholders who may  
12 also be customers. There might also be other bondholders who  
13 have some equally compelling rationale out of other commercial  
14 transactions so that there would be -- even if this were  
15 possible legally, this could be a situation that's not a  
16 one-off situation, that would have individualized  
17 complications, transaction costs, and ultimately, financially  
18 might even add up to something that's not de minimis.

19 Is there a way that you have in mind for me to manage  
20 my thinking about this issue that would give me some comfort  
21 in that regard?

22 MS. FIGUEROA Y MORGADE: Your Honor, it's really a  
23 factual review upon the particular circumstances of what comes  
24 before the Court and is requested by other bondholders. There  
25 is really no bright light to resolve this case. It has to be

1 on a factual review and fact intensive.

2 And we do understand that the Court would be  
3 concerned with how events unfold and if this would open the  
4 door to other bondholders coming forward, but each one would  
5 have to meet the standard of having factual grounds to come  
6 forward and convince the Court of their legal request.

7 Here, Pan American has a right to set-off, and most  
8 importantly, Pan American, as a bondholder, did not  
9 voluntarily agree to waive its rights to set-off. It did not  
10 expressly consent to the application of the no-action clause.  
11 And the Trustee Agreement, the indenture contract is really a  
12 standard contract that was imposed on Pan American.

13 So what we have here is an entity requesting to  
14 set-off to a prepetition debt with PREPA, and that is a  
15 statutory right under the Bankruptcy Code applicable in  
16 PROMESA.

17 And we have the indenture agreement, but it appears  
18 that from the arguments of both the Trustee and PREPA, what  
19 they want to do is elevate the indenture agreement to a  
20 statutory provision of the Bankruptcy Code.

21 So the balances of equities here and the Court's  
22 equitable relief would allow, in fairness to Pan American,  
23 which is a request that is of limited amount, of a limited  
24 amount, and that will yield cash for PREPA to simply have the  
25 Court allow Pan American to execute the set-off.

1 THE COURT: Thank you.

2 MS. FIGUEROA Y MORGADE: That's our position. Thank  
3 you.

4 MR. FINGER: Good morning, Your Honor.

5 THE COURT: Good morning.

6 MR. FINGER: Kevin Finger of Greenberg Traurig on  
7 behalf of PREPA.

8 As counsel noted, PREPA did file an objection, as did  
9 the PREPA Bond Trustee, U.S. Bank. Counsel for U.S. Bank and  
10 I have agreed to divide our time so that I'll take nine  
11 minutes and he'll have six minutes for his argument.

12 THE COURT: Thank you.

13 MR. FINGER: And Your Honor, let me take what was  
14 going to be the end of my argument and put it at the beginning  
15 because of the way counsel has presented it. But essentially  
16 in Pan American's reply, they ask the Court to adopt the  
17 concept of equitable set-off.

18 There is no provision under the law for a concept of  
19 equitable set-off. In fact, the First Circuit in the *Public*  
20 *Service Company of New Hampshire* has explicitly rejected the  
21 concept of equitable setoff. So there is no basis here for  
22 the Court to apply that principle and permit Pan American to  
23 move forward with set-off.

24 This brings us back to the law. There is no right to  
25 set-off. They have claimed a right to set-off, but it doesn't



1 actually exist under the law. And that's because of the  
2 requirements of Section 553 of the Bankruptcy Code, which  
3 requires both a mutuality of debt, as well as a substantive  
4 provision either under federal or applicable state law that  
5 creates the right to set-off. A movant cannot satisfy either  
6 requirement.

7           The First Circuit has defined mutuality as debts with  
8 the same right, between the same parties, in the same  
9 capacity. And the rights here are defined by the Trust  
10 Agreement. It's not an elevation of the Trust Agreement to  
11 that of a statute, but it's the document by which bondholders  
12 agree to be bound in the provisions therein, and that's what  
13 defines the rights of the parties.

14           So to be sure, Pan American owes a set debt to PREPA  
15 in the form of two million dollars owed for electrical service  
16 prepetition, but PREPA does not owe that obligation to Pan  
17 American. PREPA owes the obligation to repay the bonds to the  
18 PREPA Bond Trustee who acts on behalf of the bondholders who  
19 share in any receipts to the Trustee in a prorata basis.

20           So they are not the same parties, and that is made  
21 clear by, as counsel referenced, the no-action clause, which  
22 is Section 808 of the Trust Agreement, which does not permit a  
23 single bondholder or even a collection of bondholders to bring  
24 an action unless they have at least ten percent of the  
25 outstanding bonds.

1           That particular exception to the no-action clause  
2 does not apply in this case. So in the words of movant's  
3 counsel, that essentially ends the analysis. The no-action  
4 clause does not permit the bondholder to bring this action  
5 and, therefore, there is no mutuality of the parties or of the  
6 debts.

7           The debtors are also not in the same capacity. For  
8 many reasons, because they're not mutual parties, the  
9 obligations don't run the same way, but also because the  
10 obligation on the part of PREPA to repay the bonds is secured  
11 and the debt that's owed by Pan American to PREPA is  
12 unsecured, so there are different capacities for this.

13           Also, the request for set-off essentially amounts to  
14 a recourse against PREPA for the payment of the bonds. Under  
15 both the Bankruptcy Code, Section 927, and the Trust  
16 Agreement, the PREPA bonds are nonrecoursed to PREPA. But to  
17 allow setoff in this case essentially recategorizes that and  
18 makes it a recourse to PREPA.

19           So Section 553 mutuality is not achieved. There's  
20 also not a substantive permission of Puerto Rico law that  
21 permits set-off in this case. The two statutes at issue -- 31  
22 LPRA 3221 essentially imposes a mutuality requirement for  
23 there to be set-off, and as discussed, that is not met.

24           The next section, 3222, has a five-part test for  
25 which the movant fails to satisfy at least three of those

1 requirements. The first is essentially, again, a mutuality  
2 requirement that because the no-action clause is not met here,  
3 also again because of the no-action clause, the debt is not  
4 demandable. In this case, Pan American is not permitted to  
5 bring a claim to enforce the terms of the Trust Agreement.

6 And the fifth requirement under this statute is that  
7 there not be a third party who has retention rights. And it's  
8 explained in our papers. Section 905 of the Trust Agreement  
9 does provide retention rights to the PREPA Bond Trustee.

10 And, Your Honor, even if the Court can find that  
11 there's a setoff right here, that relief is still permissive,  
12 not mandatory by the Court. And the harms here that would be  
13 invoked on a variety of levels are significant. They're not  
14 de minimis.

15 First of all, Pan American owes over two million  
16 dollars to PREPA for prepetition electrical service. PREPA's  
17 need for dollars has been well-documented in this case and it  
18 continues to this day. That failure to provide two million  
19 dollars affects not only PREPA, but other constituents who  
20 rely on increased revenues to PREPA to continue to operate.

21 Mr. Whitmore can address this a little more  
22 particularly, but it also would -- this recovery, a hundred  
23 cents on the dollar for the bond holdings would also deprive  
24 that amount to the other bondholders who, under the Trust  
25 Agreement, share in any recovery on account of the bonds on a

1 prorata basis.

2 So there are significant harms here that would be  
3 worked to permit a set-off, so the Court should, even if it  
4 were to find a right to set-off, not permit it to move  
5 forward.

6 Finally, with respect to the stay, Your Honor, there  
7 is nothing on the factors that demonstrates cause to lift the  
8 stay. There is no judicial economy or any other factor that  
9 can be saved here.

10 As counsel has asked, the proposed way of handling  
11 all the different types of claims here would be on a factual  
12 review, which would require apparently an examination of the  
13 facts underlying each request for set-off, and that simply  
14 requires Court time, PREPA's time and other parties' time that  
15 can better be spent to do the type of activities that  
16 Mr. Bienenstock described already.

17 So there is no basis. There is no right to set-off  
18 and there is no basis to lift the stay or permit the set-off,  
19 even if the Court does find one.

20 THE COURT: Thank you, Mr. Finger.

21 MR. FINGER: You're welcome.

22 THE COURT: Mr. Whitmore.

23 MR. WHITMORE: Your Honor, Clark Whitmore from the  
24 Maslon LLP law firm on behalf of U.S. Bank, National  
25 Association, as the PREPA Bond Trustee.

1 I believe that movant's counsel conceded the fact  
2 that the no-action clause was applicable to bar their ability  
3 to bring this, and that also destroys mutuality for purposes  
4 of set-off, so it's a fairly simple equation for the Court to  
5 deny the motion.

6 I would simply like, Your Honor, in light of the  
7 request, that the Court take into account equities, which  
8 obviously exist. Every small business wants to get all the  
9 money that they can, and I certainly appreciate the  
10 perspective of equities from Pan American's perspective. I  
11 would like to make sure that the Court appreciates the  
12 equities from the perspective of the other bondholders who we  
13 have duties to under the Trust Agreement.

14 There are really two fundamental principles under the  
15 Trust Agreement that they're seeking to have the Court  
16 disregard. The first is that of collective action. They want  
17 to just take a shortcut and ignore the requirement under the  
18 Trust Agreement that either the Trustee or groups of  
19 bondholders who have various rights to direct the Trustee or  
20 act independently proceed in that way.

21 These are -- this is an important principle. And  
22 just allowing somebody to say, hey, I'm only owed a million  
23 dollars, let me just violate the rules, really does put that  
24 principle at risk in ways that could create unanticipated  
25 problems later on.

1           And perhaps more fundamentally, the second major  
2   fairness principle under the Trust Agreement is that pledged  
3   revenues were pledged to all of the bondholders, and the  
4   recoveries from those pledged revenues are supposed to go to  
5   all the bondholders after they share the cost of expenses.

6           So what you have here under the rubric of equities is  
7   you have somebody saying, I would like to take some of PREPA's  
8   revenues that should have gone to PREPA and were pledged to  
9   all the bondholders and just grab it for myself.

10          So obviously we think that's not an equity that cuts  
11   in favor of the movant, but rather one that cuts in favor of  
12   the other, albeit more diluted bondholders who we'd like to  
13   give voice to here today.

14          So I can go on, but I don't think it's really  
15   necessary in light of the concessions that have been made by  
16   movant's counsel. I would just like to note that U.S. Bank's  
17   position with respect to its claim and the nature of its claim  
18   is we don't necessarily agree with all of the statements that  
19   PREPA has made in its papers with respect to the nature of the  
20   debt. It's not necessary for the resolution of this motion.  
21   But our position with respect to the claim is set forth in our  
22   Proof of Claim, and if need be, we'll address that at some  
23   later time.

24          And then finally, I would like to point out that U.S.  
25   Bank favors the active involvement of bondholders in the Title

1     III process and doesn't intend for the decision it made to  
2     step up in this particular case and file an objection to  
3     standing to discourage bondholders from participating in these  
4     Title III cases, because this case really presented a very  
5     unusual attack on the fundamental principles of the Trust  
6     Agreement and rose to a level of contradiction to the rights  
7     of other bondholders where we felt it was appropriate to lodge  
8     an objection.

9             THE COURT: Thank you, Mr. Whitmore.

10            Ms. Figueroa y Morgade, would you like to make reply  
11     remarks?

12            MS. FIGUEROA Y MORGADE: No, Your Honor. The matter  
13     is submitted for the Court's consideration.

14            THE COURT: Thank you. And so the motion and  
15     arguments are fully submitted.

16            I did read very carefully all of the submissions  
17     before coming to court today and have listened carefully to  
18     what has been said here. I will now make my oral ruling on  
19     the record.

20            Before the Court is Pan American Grain Company,  
21     Inc.'s Motion for Relief from Stay to Execute Set-off, which  
22     is docket entry number 4004 in case 17-3283, and I'll refer to  
23     it as the motion.

24            The motion seeks relief from the automatic stay to  
25     effectuate a set-off under Section 553 of the Bankruptcy Code,

1 which applies in these Title III proceedings pursuant to  
2 Section 301 of PROMESA, to set off movant's PREPA bond  
3 investments against its prepetition electricity bill owed to  
4 PREPA.

5 The Court has considered carefully all of the  
6 parties' submissions and arguments, and for the reasons that I  
7 will now explain, the motion is denied.

8 I will first take up the question of standing or the  
9 power or ability of the movant to make this application in the  
10 first place. Due to the collective structure of bondholder  
11 rights and remedies under the Operative Trust Agreement, and  
12 specifically because of the no-action clause of that  
13 agreement, which counsel have discussed, movant does not have  
14 standing to unilaterally bring proceedings to enforce  
15 collection upon its PREPA bonds.

16 Section 808 of the Trust Agreement, which we are  
17 referring to as a no-action provision, prohibits individual  
18 PREPA bondholders who hold less than ten percent of the  
19 principal amount of outstanding PREPA bonds from pursuing  
20 remedies in their own name without complying with certain  
21 requirements.

22 Counsel, may I remind you that court is in session  
23 and I would ask that if you need to have conversations, you do  
24 that outside of the courtroom. Thank you.

25 Moreover, the no-action clause of the Trust Agreement



1 requires that all proceedings in law or equity brought by  
2 individual PREPA bondholders be maintained for the benefit of  
3 all PREPA bondholders. Nothing in the trust instrument or in  
4 bankruptcy law changes the powers of an individual bondholder  
5 under the Trust Agreement upon the issuer's entry into a  
6 bankruptcy proceeding.

7           Movant's attempt to distinguish the case *In Re:*  
8 *American Roads, LLC*, 496 B.R. 727, from the Bankruptcy Court  
9 of the Southern District of New York in 2013, a case that  
10 construed an intercreditor agreement that defined bondholders'  
11 rights inter se and vis-a-vis the Trustee is similarly  
12 unpersuasive.

13           Here, as in that case, the operative agreement  
14 defines and limits bondholders' rights and centralizes powers  
15 to take actions with respect to the bonds. The Court,  
16 therefore, finds that notwithstanding the broad provisions of  
17 Bankruptcy Code Section 1109, movant lacks standing to bring  
18 the present motion in violation of the Trust Agreement's  
19 no-action clause.

20           And turning specifically to the no-action clause and  
21 whether an equitable exclusion from that clause would be  
22 feasible or appropriate, movant offers no statutory or  
23 precedential authority in support of its argument that the  
24 Court should use its equitable powers to exclude the movant  
25 from the limitations imposed by the Trust Agreement's

1 no-action clause in order to allow the movant to pursue the  
2 effectuation of its sought after set-off.

3 In effect, movant is asking this Court to create an  
4 additional noncontractual right to direct payment for certain  
5 PREPA bondholders. There is no legal basis for such a  
6 revision of a complex contractual arrangement to benefit a  
7 single bondholder that has no right to individual relief as  
8 against the issuer under the governing documents. Such relief  
9 would also be inequitable.

10 Under movant's proposed construct, individual  
11 bondholders would be enabled by happenstance of their  
12 independent electrical service customer relationships with the  
13 issuer, with PREPA, to obtain the practical equivalent of 100  
14 percent payment on their bonds from an issuer that represents  
15 that it is not in a financial condition to make such full  
16 payment to all other holders of the same bonds.

17 Such relief would, therefore, effect an inequitable  
18 distribution of the debtor's property and would deprive the  
19 bondholders and other creditors of PREPA of assets that could  
20 otherwise be distributed equitably.

21 The Court denies the motion to the extent that the  
22 movant seeks exclusion from the controlling no-action clause  
23 of the operative Trust Agreement.

24 And finally, I would address the issue of mutuality,  
25 which is a requirement of Section 553 of the Code. The movant

1 argues that mutuality exists here, and that argument is  
2 unfounded and again, fundamentally inequitable.

3           The existence of a mutuality requirement necessarily  
4 means that there must be something more than mere identity of  
5 obligor and obligee between the two debts to be set off.  
6 Furthermore, in light of the no-action provision of the Trust  
7 Agreement and bond terms providing that PREPA must pay  
8 principal and interest due on the bonds to the Trustee, rather  
9 than directly to individual bondholders, even the identity of  
10 obligor and obligee is lacking under the circumstances  
11 presented here.

12           Thus, because the movant lacks standing to seek the  
13 individual remedy of a set-off, because it is not demonstrated  
14 that it has any legal right to set-off, and because there is  
15 no proper basis for its request for recognition of an  
16 equitable entitlement to such a remedy, the Motion for Relief  
17 from Stay is denied and the Court need not go on to address  
18 the *Sonnax* factors.

19           So the Court will enter an Order indicating that the  
20 motion is denied for the reasons stated on the record. This  
21 oral decision resolves docket entry 4004 in case number  
22 17-3283.

23           Counsel, I thank you for your arguments and  
24 presentations today.

25           The final contested matter on the agenda is the

1 Motion for Relief from Stay of Cooperativa de Ahorro y Credito  
2 Vegabajeña, I'm sorry if I butchered that, and that is ECF  
3 number 4011 in case 17-3283.

4 And so Mr. Quilichini Paz.

5 MR. QUILICHINI PAZ: Yes, Your Honor. Good  
6 morning.

7 THE COURT: Good morning.

8 MR. QUILICHINI PAZ: Carlos Quilichini for the  
9 Cooperativa de Ahorro y Credito Vegabajeña.

10 Your Honor, basically, in this case, the claim to the  
11 funds arises from a statutory basis, basically Law Number 196  
12 of the year 2011, which was drawn basically to entice further  
13 credit unions and other financial institutions to grant  
14 credit, extend credit facilities to the participants in the  
15 ESR, the Employees' Retirement System participants.

16 And due to that specific law, as a matter of fact,  
17 the motives within the law specifically stating, among others,  
18 that the purpose of the specific motive of the law was to  
19 ensure the operational solvency of a credit union, it is  
20 necessary to increase the contribution percentage that a  
21 participant may voluntarily authorize to be encumbered to  
22 secure the personal loans.

23 So what the law did was to increase the limits by  
24 which a participant in the system could actually assign his  
25 funds within the system, which are actually payroll deductions

1 or voluntary contributions to this system, and it allowed it  
2 to be assigned as a collateral for the loan the credit union  
3 would do.

4 THE COURT: Was it the bank's understanding that the  
5 participant contributions went into a separate, separately  
6 kept savings type of account for the participant or what --  
7 what is the benefit that was being assigned?

8 MR. QUILICHINI PAZ: We believe it's not, because as  
9 the contract documents show, and I specifically refer to  
10 Exhibits A and B that were added, specifically the assignment  
11 agreement for the pensioners or assignment agreement for  
12 participants, the certificate of estoppel that was actually  
13 executed by the ERS -- which the clear language on the  
14 contract specifically states three things: One, on the  
15 estoppel, on the estoppel issue, that the ERS guarantees,  
16 certifies that the debtor, referring to the participant, is a  
17 bona fide participant of a Puerto Rico retirement system.

18 Number two, that it has been notified that the  
19 interests of the debtor to the participant in the amounts of  
20 contributions made by way of deductions have been assigned,  
21 including interest as a guaranty to the creditor, in this case  
22 would be Cooperativa de Ahorro y Credito Vegabajena, a  
23 designee under the terms of the agreement.

24 And number three, most importantly, Your Honor, it  
25 says specifically that as of the date of this notification,

1 the debtor has contributed the amount of X dollars.  
2 Specifically, in our case, most amounts were 25,000 dollars.  
3 As shown in Exhibit D, the cooperativa granted 37 loans  
4 totaling, amounting to \$525,422.93.

5 So the contract agreement around the ERS specifically  
6 stated that they had knowledge and that they guaranteed that a  
7 specific amount had been put into assignment and as collateral  
8 for the loans. That's on the contract issue.

9 But besides that, the specific terms of the law, and  
10 again, that would be Act 196, specifically states, Section  
11 2-119, as follows: Contributions that may be designated by  
12 the participant as collateral for any loan originating or  
13 required by these agencies, savings and credit unions and the  
14 Cooperativa Bank of Puerto Rico, underlined, may only be used  
15 as collateral for the principal and interest of such loan.

16 Then the same statute goes on to Section 4-110 and  
17 specifically states that the statutory lien was created, and  
18 specifically states the following: The statutory lien created  
19 in this section, Section 4-110, shall remain in full force and  
20 effect in the event that the mortgage or personal loans are  
21 transferred by the administrator to third parties pursuant to  
22 Section 4-116.

23 That is, we have a statutory lien. We have a  
24 specific assignment of determined funds certified by the ERS  
25 as collateral for Cooperativa's loans in each and every one of

1 the 37 Proof of Claims filed by Cooperativa in this case.

2           These were all -- these were all, as I said, direct  
3 contributions from the participants' payrolls into these  
4 accounts. So that's why we hardly find to believe -- or I  
5 mean we express surprise that in the objection at paragraph  
6 ten, the ERS states that there were no individual accounts.

7           That is contrary to the specific estoppel  
8 certificate. It's contrary to specific statutory language,  
9 which is comprised in Section 2-119 and in Section 4-110. So  
10 basically we find it -- and of course it even says, Section  
11 4-116, that the statutory lien created in this section shall  
12 remain in full force and effect, even in the event of transfer  
13 of the loan.

14           So the application of the other law cited in the  
15 objections, specifically the Act 106 enacted in 2017, which  
16 is, of course, after the filing of the petition in the Title  
17 III cases, and besides, let me clear the point, all these  
18 loans were prepetition. All these loans are prepetition.

19           THE COURT: And the 2017 law is the one that is being  
20 referred to as the PAYGO Statute?

21           MR. QUILICHINI PAZ: Yes. Yes, Your Honor, that is  
22 the PAYGO Statute, which specifically states in Article 7.6,  
23 that it does away -- one of the things that Article 7.6 does  
24 is it does away with all the loans and any -- all the  
25 financing that the ERS was able to provide to their own

1 participants, but specifically states that all loans  
2 previously granted or in place of course shall be -- shall be  
3 carried out under the statute under which they were issued.  
4 In this case, that would be Law 196 of the year 2011.

5           Additionally, contrary to what the ERS also says in  
6 its objection at paragraph ten, the new law actually, in the  
7 translation, says that participants of the new defined  
8 contribution plan shall have, ergo, the property rights over  
9 the balances in their defined contribution accounts.

10           So at any rate, if you want to see it, I actually  
11 propose to the Court that under Law 196, this is a specific  
12 amount of money that was actually certified by the ERS as  
13 available for collateral. So it was earmarked and set aside.  
14 And it -- under the same statute, 196, it could only be used  
15 for payment of that loan. That's the specific statutory  
16 language that we address.

17           So that basically is our contention. The rest we  
18 have argued basically on the merits and in our writings.

19           THE COURT: Thank you, sir.

20           MR. QUILICHINI PAZ: Thank you.

21           MR. MARINI: Good morning, Your Honor.

22           THE COURT: Good morning.

23           MR. MARINI: Luis Marini of Marini, Pietrantoni &  
24 Muniz for AAFAF. I'm here with my colleague, Suzzanne Uhland,  
25 as well for AAFAF.



1           Your Honor, AAFAF filed an objection to Cooperativa's  
2 motion, and in our objection, we essentially assert two bases  
3 for the denial of the motion. One is that we submitted the  
4 motion should be denied as the movant has failed to establish  
5 cause.

6           In our motion, we go through the various *Sonnax*  
7 factors and why we understand that the *Sonnax* factors weigh in  
8 favor of denial of the motion. And we also assert that the  
9 motion is not the correct procedural vehicle to assert  
10 remedies that Cooperativa is presenting in the motion.

11           THE COURT: That's the declaratory judgment aspect of  
12 the motion.

13           MR. MARINI: Correct. Correct.

14           THE COURT: I would like to -- I need to understand  
15 what the plan design here is and what the nature of these  
16 accounts or interests was prior to PAYGO, in which Law 196  
17 authorized the granting of the security interest and pursuant  
18 to which the security interest was granted. So if you could  
19 help me with that, that will help me understand in context  
20 better your *Sonnax* argument.

21           MR. MARINI: Sure. Well, Your Honor, let me first  
22 describe what we understand is the type of interest that  
23 Cooperativa has. They're trying to enforce reported claims  
24 against consumer borrowers that are apparently secured by  
25 individual retirement and pension benefits.

1           We understand what they have is at most an assignment  
2 of the rights of the consumer borrowers to ERS. And as part  
3 of such assignment, they are stepping into the shoes of the  
4 consumer borrowers to enforce their pension and retirement  
5 claim benefits against ERS.

6           We understand that as an assignee, they have no  
7 superior rights to claim pension and retirement benefits as a  
8 consumer borrower would have against ERS.

9           THE COURT: So I want to know what the consumer  
10 borrower has.

11          MR. MARINI: Sure.

12          THE COURT: Were there individual accounts made for  
13 the consumer borrowers to hold their employee contributions,  
14 as the bank appears to have believed or is arguing now, or is  
15 it an annuity? What is the benefit plan design that the  
16 consumer borrower would expect to get as a pensioner?

17          MR. MARINI: Right. Your Honor, as we detailed in  
18 our papers, no individual retirement accounts were established  
19 at ERS.

20          THE COURT: Is that because the plan didn't call for  
21 it or is that because the plan called for it but nobody did  
22 it?

23          MR. MARINI: Your Honor, if I may check with my  
24 co-counsel for a second?

25          THE COURT: Yes.

1 MR. MARINI: Your Honor, we need to confirm. It's  
2 possible that the statute required it, but it certainly --  
3 there were no retirement accounts set up.

4 As we also assert in our papers, at this stage and  
5 once borrowers -- they make no ongoing contributions to ERS,  
6 and ERS assets are to be transferred to the Commonwealth as  
7 part of the PAYGO legislation. And any remaining assets that  
8 ERS has right now are in its general fund.

9 So, Your Honor, the rights that --

10 THE COURT: So what's being -- what's the difference  
11 between what is being or has been transferred to the  
12 Commonwealth and ERS' general funds? Were there some  
13 segregated funds that have been transferred to the  
14 Commonwealth or what?

15 MR. MARINI: No, Your Honor. I believe that the  
16 intent of the PAYGO legislation was that the assets are  
17 transferred to the Commonwealth, which is ongoing. They are  
18 not segregated into individual accounts. The assets that ERS  
19 has are held in its general fund and they are not  
20 segregated.

21 THE COURT: And so was it part of whatever ERS had as  
22 its general fund that went to the Commonwealth but ERS has  
23 kept some back, or were there separate bodies of assets that  
24 were transferred to the Commonwealth?

25 MR. MARINI: I understand that part of ERS assets

1 | were transferred without segregation and that the assets that  
2 | ERS still has are just held in the general fund without  
3 | segregation into individual borrower accounts.

4 |         So, Your Honor, our main contention here is that the  
5 | rights or claims that pension claimants would have, they are  
6 | not limited to Cooperativa's rights as an assignee. It is a  
7 | legal issue that should be decided as part of the Title III  
8 | proceedings, as part of a Plan of Adjustment or the claims  
9 | resolution proceedings. Lifting the stay would shift that  
10 | decision to a state court.

11 |         We understand that the Cooperativa is not the only  
12 | potential claimant asserting a right or claim against pension  
13 | benefits, and that that decision and that the claims that may  
14 | be asserted or the rights that may be asserted by pension  
15 | claimants should be made as part of the Plan of Adjustment or  
16 | claim resolution process in this Court. And that the stay  
17 | should not be lifted for those reasons and those that we put  
18 | in our objection.

19 |         THE COURT: Is there anything of an evidentiary  
20 | nature in the record on this motion to establish as the basis  
21 | of a Court finding that there's only an unsecured claim here,  
22 | that there are no individual accounts, that there are no  
23 | segregated assigned funds?

24 |         There is a footnote in the brief that says, by the  
25 | way, there are no individual accounts, but there's no

1 affidavit. There's no information about that. Are you  
2 prepared to proffer something?

3 MR. MARINI: May I have a second, Your Honor?

4 THE COURT: Yes.

5 MR. MARINI: Your Honor, we made the allegation in  
6 our objection. What we submit is that the Court -- we would  
7 ask the Court allows us to supplement the record with an  
8 affidavit.

9 THE COURT: Yes, I will require a supplemental  
10 affidavit, because arguments of counsel are not evidence. And  
11 you are asking me to make a factual finding that because of  
12 this factual situation, there is only an unsecured claim to be  
13 pursued, and on that basis, to apply the *Sonnax* factors.

14 And so that supplemental affidavit must be filed by a  
15 week from tomorrow. Sorry. Today is Wednesday. I lose track  
16 of the days, so --

17 COURTROOM DEPUTY: The 15th.

18 THE COURT: The 15th.

19 MR. MARINI: Thank you, Your Honor.

20 THE COURT: And let me ask you, is there -- to the  
21 extent that the plan required segregation and it didn't  
22 happen, is there an investigation ongoing? Will there be  
23 identification of how this happened and who was responsible  
24 and steps taken to pursue that?

25 I don't think that was something covered by the Kobre

1 & Kim matter, which focused on bonds.

2 MR. MARINI: Your Honor, I don't have the answer to  
3 that. I'll certainly check with my client and inform the  
4 Court.

5 THE COURT: Yes, please. File an informative motion.

6 MR. MARINI: (Nodding head up and down.)

7 THE COURT: Thank you.

8 MR. MARINI: Thank you, Your Honor.

9 THE COURT: Mr. Quilichini, any reply remarks?

10 MR. QUILICHINI: Just, Your Honor, that again,  
11 restating, the law is clear. The documents are clear. And we  
12 have to overstate the importance of the Exhibits B and C  
13 attached to our motions. These were drafted by the ERS.  
14 They're not of our doing. They were drafted pursuant to Law  
15 196. So they cannot undo themselves of what they went into  
16 and what they represented to these credit unions.

17 These were segregated funds. If they were  
18 transferred illegally or unauthorizedly, that's another  
19 matter.

20 So I would ask you if we can respond to the  
21 informative motion that has been allowed to the -- to the  
22 other party on due time.

23 THE COURT: Yes. So within a week after the filing  
24 of the informative motion, you may make a further response.

25 MR. QUILICHINI: Thank you.

1 THE COURT: And I will hold this matter under  
2 advisement and in abeyance until these submissions are  
3 received, and then I will make a decision after all of the  
4 supplemental submissions have been received.

5 MR. QUILICHINI: Thank you, Your Honor.

6 THE COURT: Thank you.

7 Mr. Despins.

8 MR. DESPINS: Luc Despins for the Committee.

9 As you know, the Committee has stayed out of all  
10 these automatic stay motions for cost reasons. The only thing  
11 that concerns me is that I want to make sure Your Honor knows,  
12 and we're not taking a position on the merits of this, that  
13 this issue of a law saying that certain funds shall be  
14 deposited in a certain way or kept in a certain way, that's an  
15 issue that permeates the entire case.

16 So when I hear this argument over a relatively small  
17 matter, it gives me a lot of trepidation because I want to  
18 make sure Your Honor knows that that issue is in the case  
19 generally. So I -- that's all I wanted to make sure Your  
20 Honor was aware of.

21 THE COURT: It doesn't surprise me that it is a  
22 pervasive issue, but when I am asked to make a determination  
23 based on what is, in effect, an offhand remark in a brief that  
24 what was called for doesn't exist so we should just move on  
25 from there, that's a problem. I can't condone it and I can't

1 make a decision on that basis.

2 MR. DESPINS: Understood. I was not arguing that you  
3 should. I just wanted to make sure that you knew that various  
4 other statutes --

5 THE COURT: Yes.

6 MR. DESPINS: -- speak in those terms.

7 THE COURT: And I will expect that the parties, and  
8 in particular the governmental side parties will address  
9 appropriately and with an appropriate level of insight and  
10 detail the facts that relate to those sorts of issues as and  
11 when they come up in litigation.

12 Now, I didn't give a deadline for the informative  
13 motion. I only gave a specific deadline for the supplemental  
14 affidavit. So both the supplemental affidavit and the  
15 informative motion are due on the 15th of November.

16 I think we have concluded the scheduled agenda. We  
17 have adjourned matters as listed in document 4180 that are  
18 adjourned to the December Omni.

19 Are there any further remarks that anyone needs or  
20 wishes to make before I conclude the proceedings?

21 Seeing none, I will say today's agenda is concluded.  
22 The next scheduled hearing date is the November 20th, 2018,  
23 hearing on the proposed COFINA disclosure statement. That  
24 will take place in New York with a video connection to San  
25 Juan.



1           The next Omnibus hearing date is on December 19,  
2   2018, here in Puerto Rico, with the usual video connection to  
3   New York.

4           I would like to thank all counsel for their work here  
5   today, and in particular to thank the staff of the courts in  
6   Puerto Rico and New York, and the ongoing work of the staff in  
7   Boston in preparing for and conducting these hearings.

8           I wish safe travels to all who are departing. And I  
9   commend again the administration of these cases on the court  
10  side and the way in which everyone is working together to move  
11  forward for the benefit of Puerto Rico. Keep well. We are  
12  adjourned.

13           (At 11:24 AM, proceedings concluded.)

14                           \*       \*       \*

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1 U.S. DISTRICT COURT )  
2 DISTRICT OF PUERTO RICO)

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4 I certify that this transcript consisting of 66 pages is  
5 a true and accurate transcription to the best of my ability of  
6 the proceedings in this case before the Honorable United  
7 States District Court Judge Laura Taylor Swain on November 7,  
8 2018.

9

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11 S/ Amy Walker

12 Amy Walker, CSR 3799

13 Official Court Reporter

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